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# **MMS Minerals Revenue Management**

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## **Distribution of Federal and American Indian mineral lease revenues**

The Minerals Management Service (MMS) distributes revenues collected from Federal mineral leases to special-purpose funds administered by Federal agencies, States, and to the General Fund of the U.S. Department of the Treasury (Treasury). The Bureau of Indian Affairs (BIA) disburses revenues collected from American Indian leases to the appropriate American Indian Tribes and allotted tract mineral owners. Legislation and regulations govern formulas for the disbursement of these revenues. See [Formulas for the disbursement of revenues from Federal and American Indian mineral leases](#).

### ***Special-Purpose Accounts***

- **National Historic Preservation Fund.** A fund, administered by the National Park Service, designed to expand and accelerate historic preservation plans and activities. The fund provides revenues for matching grants-in-aid to States and local governments, and funds the National Trust for Historic Preservation. Offshore mineral leasing provides 100 percent of the \$150 million transferred to the fund annually. Legislation authorizing the transfer of revenues to the fund expired on September 30, 1997. A transfer of \$150 million was erroneously made to the fund in Fiscal Year (FY) 1998 and recouped in February of FY 1999. Legislation authorizing resumption of the \$150 million annual funding was passed in FY 2000.
- **Land and Water Conservation Fund.** The Land and Water Conservation Act of 1965 created a fund currently administered by the National Park Service to provide revenues for the Federal Government, State governments, and local governments to purchase parks and recreation areas and to plan, acquire, and develop land and water resources for recreational use, habitat protection, scenic beauty, and biological diversity. Approximately 10-30 percent of the legislated yearly minimum of \$900 million is provided through revenues from surplus property sales and receipts from the motorboat fuels tax. The remaining 70-90 percent of the legislated yearly minimum is provided from offshore mineral leasing under the provisions of the Outer Continental Shelf Lands Act, as amended.
- **Reclamation Fund.** A fund created under the Reclamation Act of 1902 that provides revenues to build, maintain, and operate water and associated power projects on arid and semiarid Western lands. The fund was originally supported by proceeds from sales of U.S. public lands. The Mineral Leasing Act of 1920, as amended, further augmented the fund, allocating a portion (currently 40 percent) of royalties from oil, gas, and other mineral leases on U.S. public domain lands.

### ***American Indian Tribes and Individual American Indian Lessors***

The BIA collects bonuses and rents from nonproducing leases. The MMS disburses mineral royalties and rents from producing American Indian Tribal and allotted tract leases in accounts

## **Distribution of Federal and American Indian mineral lease revenues (cont.)**

administered by the Office of Trust Funds Management where they are invested and subsequently distributed to American Indian Tribes and individual American Indian lessors with the following exceptions:

- Oil and gas payments to four Tribes — the Jicarilla Apache, the Blackfeet, the Navajo, and the Southern Ute — are made directly by the lease payor to financial institutions contracted by the Tribes to receive their mineral payments.
- The BIA has authorized payors to make direct payments to selected individual American Indian lessors.
- The Osage Nation manages all mineral leases on its Tribal lands and collects its own revenues.
- Payments to the Cook Inlet Region, Inc., in Alaska on behalf of Alaska Natives for the interests the region holds in several former Federal leases, are made directly by lease payors to the corporation.
- Solid mineral royalties are paid directly to the applicable Tribes or to a designated BIA office.

## ***States***

States with Federal mineral leases within their respective boundaries and States with Federal mineral leases within 3 miles of the seaward boundary of their coast share in the revenues from those leases. Legislation and regulations govern formulas for the disbursement of revenues from these leases. See [\*\*Distribution of Federal offshore revenues to States under section 8\(g\) of the Outer Continental Shelf Lands Act, as amended, Fiscal Years 1986 to Current Year.\*\*](#)

## ***General Fund of the U.S. Department of the Treasury***

Royalty, rent, and bonus revenues from Federal offshore mineral leases on the Outer Continental Shelf that are not transferred to two of the special-purpose accounts addressed above or distributed to the States are deposited to the General Fund of the Treasury through miscellaneous receipts. The General Fund of the Treasury further receives 10 percent of royalty, rent, and bonus revenues from mineral leases on Federal onshore public domain lands and various percentages of revenues from selected acquired lands.

### **Distribution of Federal and American Indian mineral lease revenues (cont.)**

#### ***Federal Offshore and Onshore Distributions By Land Category***

Royalty payments are generally due on the last day of the month following the month of production, unless that day falls on a weekend or holiday. Payments are then due on the first business day of the following month.

Since 1983, MMS has generally disbursed mineral revenues derived from leases on public domain lands and shared with the States in the month following receipt of the payment. Disbursements are made under the provisions of section 104 of the Federal Oil and Gas Royalty Management Act of 1982 which amended the revenue disbursement provisions of the Mineral Leasing Act of 1920 (MLA), 30 U.S.C. 191. Since revenues collected in one month are disbursed in the following month, collection totals in a given year will not equal disbursement totals for the same year.

The MMS administers mineral leases from different land categories. As indicated earlier, legislation and regulations govern formulas for the disbursement of revenues from these leases.

- **Offshore Lands** — Royalty, rent, and bonus revenues from Federal offshore mineral leases on the Outer Continental Shelf (OCS) are deposited to the General Fund of the Treasury through miscellaneous receipts. Under other applicable laws, specified amounts from total offshore revenues are transferred to the Land and Water Conservation Fund and the National Historic Preservation Fund.

Section 8(g) of the Outer Continental Shelf Lands Act (OCSLA) Amendments of 1978 provided that the States were to receive a “fair and equitable” division of revenues generated from the leasing of lands within 3 miles of the seaward boundary of a coastal State containing one or more oil and gas pools or fields underlying both the OCS and lands subject to the jurisdiction of the State.

The States and the Federal Government, however, could not reach agreement concerning the meaning of the term “fair and equitable.” Revenues generated within the 3-mile boundary were placed into an escrow fund beginning in August 1979. Revenues from the Beaufort Sea in Alaska were placed into a second escrow fund under section 7, beginning in December 1979.

Congress resolved the dispute over the meaning of “fair and equitable” in the OCSLA Amendments of 1985, Public Law 99-272. The law provides for the following distribution of section 8(g) revenues to the States:

- Disbursement of escrow funds in FY 1986-87;

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- A series of annual settlement payments disbursed to the States over a 15-year period from FY 1987 to FY 2001; and
- Recurring annual disbursements of 27 percent of royalty, rent, and bonus revenues received within each affected State's 8(g) zone.

Congress passed a second law, Public Law 100-202, permitting distribution of section 7 Beaufort Sea escrow funds to Alaska in FY 1988.

- **Public Domain Lands** — The majority of Federal lands are in the public domain. Under section 35 of MLA, States other than Alaska receive 50 percent of all royalties, rents, and bonuses collected from any public domain leases located within their respective boundaries. Forty percent of remaining mineral revenues is deposited in the Reclamation Fund, and 10 percent is directed into the General Fund of the Treasury through miscellaneous receipts.

Alaska receives 90 percent of all royalties, rents, and bonuses paid for mineral production on public domain leases in Alaska. The State also receives 50 percent of all royalties, rents, and bonuses generated from the National Petroleum Reserve Alaska.

- **Acquired Lands** — The MMS collects all royalties, rents, and bonuses from leases issued under the Mineral Leasing Act for Acquired Lands of 1947, 30 U.S.C. 351 *et seq.*, on behalf of a number of Federal agencies. Revenues are disbursed according to laws applicable to the lands.

Seventy-five percent of mineral receipts from leases on acquired lands within a national forest administered by the U.S. Department of Agriculture (USDA) is distributed to the General Fund of the Treasury. The remaining 25 percent is distributed to the State where the lease is located.

Seventy-five percent of mineral revenues from leases on acquired lands within a national grassland administered by the USDA is distributed to the General Fund of the Treasury. The remaining 25 percent is distributed to the county in which the lease is located.

Seventy-five percent of mineral receipts from acquired Flood Control Act lands administered by the U.S. Army Corps of Engineers (COE) is distributed to the State in which the lease is located. The remaining 25 percent is distributed to the General Fund of the Treasury.

Mineral revenues derived from leases on acquired National Wildlife Refuge lands are shared with the county in which the lease is located, according to one of three alternative formulas prescribed by statute. The remainder is deposited in the General Fund of the Treasury.

**Distribution of Federal and American Indian mineral lease revenues (cont.)**

All mineral receipts generated from leases on acquired reclamation project lands are paid to the Reclamation Fund.

Mineral revenues collected from leases on acquired military lands issued before 1981 are deposited in the General Fund of the Treasury. Revenues collected from mineral leases on acquired military lands issued beginning January 1, 1981, are disbursed in the same manner as revenues from public domain leases.

Receipts from other acquired lands are deposited in a general Treasury account.

The COE and USDA distributed revenues from acquired lands under their jurisdiction to the States through the end of FY 1992. The MMS assumed distribution of acquired land revenues to the States from lands administered by COE and from national forests administered by USDA beginning in FY 1993. The USDA continued to distribute revenues to the States from acquired grasslands.